

INTRODUCTION: Exchange Stabilization Fund

To stabilize the exchange value of the dollar, the Exchange Stabilization Fund (ESF) was established under the Gold Reserve Act of January 30, 1934 (31 U.S.C. 822a), which authorized establishment of a Treasury Department fund to be operated under the exclusive control of the Secretary, with approval of the President.

Subsequent amendment of the Gold Reserve Act modified the original purpose somewhat to reflect termination of the fixed exchange rate system.

Resources of the fund include dollar balances, partially invested in U.S. Government securities, *special drawing rights* (SDRs), and balances of foreign currencies. Principal sources of income (losses) for the fund are profits (losses) on SDRs and foreign exchange, as well as interest earned on assets.

- Table **ESF-1** presents the assets, liabilities, and *capital*

of the fund. The figures are in U.S. dollars or their equivalents based on current exchange rates computed according to the accrual method of accounting. The capital account represents the original capital appropriated to the fund by Congress of \$2 billion, minus a subsequent transfer of \$1.8 billion to pay for the initial U.S. quota subscription to the *IMF*. Gains and losses are reflected in the cumulative net income (loss) account.

- Table **ESF-2** shows the results of operations by quarter. Figures are in U.S. dollars or their equivalents computed according to the accrual method. "Profit (loss) on foreign exchange" includes realized profits or losses. "Adjustment for change in valuation of *SDR holdings and allocations*" reflects net gain or loss on revaluation of SDR holdings and allocations for the quarter.

TABLE ESF-1.--Balances as of Dec. 31, 1995, and Mar. 31, 1996

[In thousands of dollars. Source: Office of the Secretary of the Treasury]

Assets, liabilities, and capital	Dec. 31, 1995	Dec. 31, 1995, through Mar. 31, 1996	Mar. 31, 1996
Assets			
U.S. dollars:			
Held at Federal Reserve Bank of New York . .	566,069	-565,643	426
Held with Treasury:			
U.S. Government securities	2,371,146	1,523,940	3,895,086
Special drawing rights ¹	11,036,802	12,325	11,049,127
Foreign exchange and securities: ²			
German marks	6,838,420	-122,917	6,715,503
Japanese yen	10,075,433	-337,598	9,737,835
Mexican pesos	11,500,000	-1,000,000	10,500,000
Accounts receivable	393,866	-48,406	345,460
Total assets	42,781,736	-538,299	42,243,437
Liabilities and capital			
Current liabilities:			
Accounts payable	51,884	164,350	216,234
Total current liabilities	51,884	164,350	216,234
Other liabilities:			
Special drawing rights certificates	10,168,000	-	10,168,000
Special drawing rights allocations	7,283,077	-123,842	7,159,235
Total other liabilities	17,451,077	-123,842	17,327,235
Capital:			
Capital account	200,000	-	200,000
Net income (loss) (see table ESF-2)	24,728,775	-228,807	24,499,968
Total capital	24,928,775	-228,807	24,699,968
Total liabilities and capital	42,431,736	-188,299	42,243,437

See footnotes on the following page.

TABLE ESF-2.--Income and Expense

(In thousands of dollars. Source: Office of the Secretary of the Treasury)

	Current quarter Jan. 1, 1996, through Mar. 31, 1996	Fiscal year to date Oct. 1, 1995, through Mar. 31, 1996
Income and expense		
Profit (loss) on:		
Foreign exchange	-547,013	-996,366
Adjustment for change in valuation of SDR holdings and allocations ¹	-63,318	-112,543
Interest (net charges) on:		
Special drawing rights	37,778	77,618
U.S. Government securities	45,601	83,493
Foreign exchange	298,145	635,633
Income from operations	-228,807	-312,165
Net income (loss)	-228,807	-312,165

¹ Beginning July 1974, the International Monetary Fund (IMF) adopted a technique for valuing the special drawing rights (SDRs) based on a weighted average of exchange rates for the currencies of selected member countries. The U.S. SDR holdings and allocations are valued on this basis beginning July 1974.

² Excludes foreign exchange transactions for future and spot delivery.

Note.--Annual balance sheets for fiscal years 1934 through 1940 appeared in the 1940 "Annual Report of the Secretary of the Treasury" and those for succeeding years appeared in subsequent reports through 1980. Quarterly balance sheets beginning with Dec. 31, 1938, have been published in the "Treasury Bulletin." Data from inception to Sept. 30, 1978, may be found on the statements published in the January 1979 "Treasury Bulletin."